

House of Representatives, March 26, 1998. The Committee on Insurance and Real Estate reported through REP. AMANN, 118th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING HEALTH INSURANCE FOR INDIVIDUAL BUSINESS OWNERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 38a-566 of the general statutes is  
2 repealed and the following is substituted in lieu  
3 thereof:

4 (a) Any individual or group health insurance  
5 plan or any insurance arrangement shall be subject  
6 to the provisions of sections 12-201, AS AMENDED,  
7 12-211, 12-212a and 38a-564 to 38a-572, inclusive,  
8 if it provides health insurance or is an insurance  
9 arrangement covering one or more employees of a  
10 small employer and if any one of the following  
11 conditions are met:

12 (1) Any portion of the premium or benefits is  
13 paid by a small employer or any covered individual  
14 is reimbursed, whether through wage adjustments or  
15 otherwise, by a small employer for any portion of  
16 the premium; or

17 (2) The health insurance plan or arrangement  
18 is treated by the employer or any of the covered  
19 individuals as part of a plan or program for the  
20 purposes of Section 162 or Section 106 of the  
21 United States Internal Revenue Code.

22 (b) Nothing in this section shall be  
23 [interpreted] CONSTRUED to apply the provisions of  
24 sections 12-202 and 12-212a to health care  
25 centers.

26 (c) Notwithstanding the provisions of  
27 subsection (a) of this section, health insurance  
28 plans or insurance arrangements issued to or in  
29 accordance with a trust established pursuant to  
30 collective bargaining, subject to the federal  
31 Labor Management Relations Act and which cover, in  
32 the aggregate, more than twenty-five employees of  
33 all participating employers, shall not be subject  
34 to the provisions of section 38a-567 or  
35 subparagraph (A) of subdivision (2) of subsection  
36 (e) of section 38a-569 and insurers or insurance  
37 arrangements issuing only such plans shall not be  
38 considered small employer carriers for purposes of  
39 sections 38a-565 and 38a-568.

40 (d) A small employer carrier which ceases  
41 marketing to small employers as provided in  
42 subdivision (6) of subsection (b) of section  
43 38a-565 may not cease enrolling new employers in a  
44 policy issued to provide coverage to the members  
45 of a trade association or to a trust on behalf of  
46 a trade association if the following conditions  
47 exist:

48 (1) Such trade association is a  
49 not-for-profit trade association qualified under  
50 26 USC Section 501c(6), was not formed solely for  
51 the purpose of providing insurance and has been  
52 operating continuously for at least twenty-five  
53 years.

54 (2) The policy issued to or on behalf of such  
55 association was in existence prior to June 1,  
56 1990, and has annual premiums of less than  
57 twenty-five million dollars.

58 (3) Such policy is offered on a guaranteed  
59 issue basis to all small employer members and only  
60 to members of such trade association.

61 (e) SUBSECTION (a) OF THIS SECTION SHALL NOT  
62 APPLY TO AN INDIVIDUAL HEALTH INSURANCE PLAN  
63 ISSUED TO A SELF-EMPLOYED INDIVIDUAL IF THE  
64 CARRIER DISCLOSES ON THE APPLICATION AND MARKETING  
65 MATERIALS, IN NOT LESS THAN TEN-POINT TYPE, THE  
66 FOLLOWING NOTICE: "THIS PLAN IS ISSUED ON AN  
67 INDIVIDUAL BASIS AND IS REGULATED AS AN INDIVIDUAL  
68 HEALTH INSURANCE PLAN."

69 INS COMMITTEE VOTE: YEA 18 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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**FISCAL IMPACT STATEMENT - BILL NUMBER HB 5621**

STATE IMPACT	Minimal Revenue Loss, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Department of Revenue Services, Insurance Department

**EXPLANATION OF ESTIMATES:**

There is a revenue loss of less than \$100,000 per fiscal year to the Connecticut Personal Income Tax by allowing sole proprietors/self employed individuals enrolled in individual health insurance plans to adjust their Federal Adjusted Gross Income for self employed health insurance premiums. The starting point for Connecticut Personal Income Tax is Federal Adjusted Gross Income. Less than 2% of Connecticut Income Tax Filers will be affected by this bill.

Under current Connecticut individual insurance plan regulations for "blue ribbon health care plans", regulations require that a sole proprietor/self employed individual who elects to enroll in a group medical plan to state that he/she will not deduct any part of the premium costs as a business expense.

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**OLR BILL ANALYSIS**

sHB 5621

**AN ACT CONCERNING HEALTH INSURANCE FOR INDIVIDUAL BUSINESS OWNERS**

**SUMMARY:** This bill exempts individual health insurance plans issued to self-employed people from the small employer health care plan law, including the state premium tax. Insurers offering these plans to self-employed people must provide the following notice in their marketing material and application: "This plan is issued on an individual basis and is regulated as an individual health insurance plan." The notice must be in at least 10-point type.

EFFECTIVE DATE: October 1, 1998

**BACKGROUND****Individual Health Plans**

These plans are individual major medical plans that are medically underwritten. Insurers can refuse to issue them because of an applicant's medical risk.

**Small Employer Plans**

These plans are offered to employer groups of from 1 to 50 employees on a guaranteed issue basis. The insurer cannot refuse to offer the plan and the plans are community-rated. Plans cannot exclude an employee or dependent on the basis of their actual or expected health but may consider age, gender, geographic area, industry, group size, and family composition.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute  
Yea 18      Nay 0